AF&PA®

AMERICAN FOREST & PAPER ASSOCIATION

GROWING WITH AMERICA SINCE 1861

Energy and Technology Committee

Testimony
February 17, 2009
RE: S.B. 589 AA Redefining Class I Renewable Energy Sources

Senator John W. Fonfara, Chairman
Representative Vickie O. Nardello, Chairwoman
Members of the Energy and Technology Committee

The American Forest & Paper Association (AF&PA) appreciates the opportunity to comment on S.B. 589. This measure, in redefining Class 1 renewable energy source, should define "biosludge" and "biosolids" to include the biomass-based fuels of the forest products industry.

AF&PA is the national trade association of the forest, pulp, paper, paperboard, and wood products industry. We represent 130 companies and related associations focused on producing essential products for people from renewable and recyclable resources that sustain the environment. The forest products industry generates $200 billion a year in sales and employs more than one million people—on par with the nations automotive and plastics industries. The industry is among the top 10 manufacturing sector employers in 48 states. In Connecticut, our industry employs more than 7,000 individuals and operates more than 80 manufacturing facilities.

The forest products industry uses both co-product fuels (spent pulping (black) liquor, wood dust, bark, and wood chips) and purchased fuels (natural gas and fuel oil) to produce steam and electricity used in its manufacturing processes. For decades, our industry has been committed to reducing its reliance on fossil fuels and increasing its energy efficiency.[1] In fact, since 1972, the energy consumed from the burning of fossil fuels at pulp and paper mills has decreased by over 50 percent. Much of this improvement can be credited to the use of renewable, biomass energy – bark, other wood wastes, and spent pulping (black) liquor. These biomass feedstocks are the largest source of fuel for these mills and, combined with self-generated hydroelectricity, supply nearly 60 percent of AF&PA member pulp and paper mill energy needs, thereby displacing very significant amounts of fossil fuels.

Black liquor, or spent pulping liquor as it is also commonly called, is a renewable, clean source of energy that can be used to displace fossil fuels and reduce greenhouse gas emissions. Several states (see attachment) and the U.S. government recognize spent pulping liquor as a renewable energy resource in their renewable or biomass energy statutes or regulations. Connecticut should include "spent pulping liquor" a renewable and climate-friendly biomass in this legislation.

---

[1] See AF&PA Environmental Health and Safety Verification Program Report for 2002, http://www.afandpa.org/Content/NavigationMenu/Environment_and_Recycling/Environment,_Health_and_Safety/Reports/2002EHSReport.pdf

The production of electricity using biomass–based co-generation technology has the collateral benefits of reducing nitrogen oxides and sulfur dioxide emissions. Paper-making processes often use inorganic chemicals to break down wood chips, separating cellulose fibers by dissolving the lignin, a non-cellulosic molecule containing phenol and comprised of carbon, hydrogen, and oxygen that acts as the "glue" holding wood cells together. After the cellulose is removed for pulp and paper production, the "spent pulping liquor" is reprocessed. The inorganic chemicals are recovered and recycled back into usable pulping liquor. The leftover wood component (mostly lignin) is combusted to generate process steam and electricity.[2] When combusted, black liquor is carbon-neutral with regard to the amount of greenhouse gases released – proof of why the substance is deserving of renewable energy status under S.B. 589.

The U.S. government specifically recognizes lignin material recovered from spent pulping liquor as a valid biomass-based substance entitled to qualify for the Internal Revenue Code Section (IRS) 45 Tax Credit for Electricity Produced from Open-Loop Biomass. Like S.B. 589, the Section 45 credit is intended to encourage the use of biomass-based fuel.

Over the years, there has been a perceived lack of clarity on the status of spent pulping liquors within the tax credit. Congress addressed the issue in several statutes, one of which[3] amended the definition of open-loop biomass to include "any lignin material" from spent pulping liquors qualifies for the credit. Moreover, the IRS issued guidance clarifying that "lignin material recovered from spent pulping liquors" qualifies for the tax credit.[4] The statute and guidance make clear that black liquors or spent pulping liquors contain lignin—a valuable biomass-based resource—that should be recognized under the credit.

The increased use of renewable energy has many benefits. Increased use of renewables decreases greenhouse gas emissions and reliance on fossil fuels, which can help protect consumers from volatile fuel prices. Including "spent pulping liquor" in S.B. 589's renewable energy definition would align Connecticut's policies with that of numerous states, and the U.S. government, and would encourage future positive precedents for this important source of renewable energy for the nation.

AF&PA urges the Committee to further review this issue and to ensure that the terms defined in S.B. 589 provide for the inclusion of forest products biomass-based fuels. Please contact our legislative advocate TJ Casey, at (860) 229-0301, with any questions. Thank you for your consideration.

Regards,

Brynn K. Iversen
Manager, Government Affairs

---

[2] Peter Koch "Utilization of the Southern Pines"; Agriculture Handbook No 420; USA Forest Service, Southern Forest Experiment Station; August 1972; p188.

[3] See Section 402(b) of the Gulf Opportunity Zone Act of 2005 (P.L. 109-135).

[4] IRS Notice 2006-88, issued September 26, 2006.

STATE RENEWABLE ENERGY POLICY
RELATIVE TO FACILITY ELIGIBILITY AND BIOMASS

STATE	PRE-EXISTING FACILITIES ELIGIBILE	SPENT PULPING LIQUOR ELIGIBLE
Renewable Portfolio Standards (Mandatory)		
Arizona	No[1]	Yes
California	Yes	Yes
Colorado	Yes	Yes
Connecticut	Yes	No
Delaware	Yes[2]	Yes
Hawaii	Yes	Yes
Illinois	Yes	No
Iowa	Yes	No
Maine	Yes	Yes[3]
Maryland	Yes	Yes
Massachusetts	No[4]	No
Minnesota	Yes	Yes
Montana	No	Yes
Nevada	Yes	Yes
New Hampshire	Yes	No
New Jersey	Yes	No
New Mexico	Yes	No
New York	No[5]	No
North Carolina	Yes	Yes
Ohio	No[6]	Yes
Oregon	No[7]	Yes
Pennsylvania	Yes	Yes
Rhode Island	Yes	No
South Dakota	Yes	Yes
Texas	No	Yes
Washington	No	No
Washington, DC	Yes	Yes
Wisconsin	Yes	No[8]
Renewable Energy Goals (Non-Binding)		
Missouri	Yes	Yes
North Dakota	Yes	Yes
Utah	No	No
Virginia	Yes	Yes
Vermont	No	Yes
TOTAL	**23**	**21**

[1] Eligible facilities are those brought in to service after 1997.
[2] 99 percent of total RPS requirements are required to come from new resources, one percent is allowed from existing sources.
[3] Black liquor is not specifically referenced, but cogeneration qualifies.
[4] Eligible facilities for Class I are those brought in to service after 1997, Class II are those brought in to service prior to 1997.
[5] Eligible facilities are those brought in to service after 2003. Hydro and biomass facilities 5 MW or less existing prior to 2003 that can demonstrate the need for RPS financial support to operate will be considered on a case-by-case basis.
[6] Eligible facilities are those brought in to service in or after 1998.
[7] Eligible facilities are those brought in to service after 1995.
[8] Only utilities can generate credits that comply with RPS.